

## Message Text

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USIA-06 COME-00 EB-07 LAB-04 SIL-01 /076 W

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R 071826Z AUG 75

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 2017

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY ROME

AMCONSUL BORDEAUX

AMCONSUL LYON

AMCONSUL MARSEILLE

AMCONSUL MARTINIQUE

AMCONSUL NICE

AMCONSUL STRASBOURG

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E.O. 11652: N/A

TAGS: PLAB, FR

SUBJECT: GOF CONSULTATIONS WITH LABOR AND BUSINESS

1. SUMMARY. TRADITIONAL PREDICTIONS OF DIFFICULT RENTREE ARE BASED ON ANTICIPATION OF 1 MILLION UNEMPLOYED BY END OF 1975 AND ADMISSION BY GOF THAT GOF MEASURES TO ACTIVATE THE ECONOMY HAVE FAILED. GOF CONSULTATIONS WITH LABOR AND BUSINESS LEADERS REAFFIRMED CHIRAC'S COMMITMENT TO A DIALOGUE WITH REPRESENTATIVE GROUPS BUT FAILED TO GENERATE ANY NEW IDEAS. NEXT STEP DEPENDS UPON GOF MEASURES SCHEDULED TO BE ANNOUNCED 4 SEPTEMBER. END SUMMARY.

2. AT THE END OF JULY ANOTHER OF FRANCE'S MANY TRADITIONS WAS OBSERVED THROUGH THE RITUALISTIC PRE-LIMITED OFFICIAL USE  
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DICTION OF A "HOT AUTUMN". THIS TIME, HOWEVER, THERE ARE REASONS TO BELIEVE THAT THE PREDICTION IS NOT INSPIRED ONLY BY TRADITIONAL BEHAVIOR. THE PREOCCUPATION WITH THE SOCIAL CLIMATE AFTER ALL FRENCHMEN HAVE

RETURNED TO THEIR JOBS, INCLUDING THOSE WHO HAVE VACATIONED ON UNEMPLOYMENT BENEFITS, WAS INSPIRED BY THE FOLLOWING CONSIDERATIONS:

(A) THE ANTICIPATION BY BOTH GOF AND OPPOSITION LEADERS THAT THE UNEMPLOYMENT FIGURE WILL CROSS THE 1 MILLION LINE BY THE END OF THE YEAR.

(B) GISCARD'S LAST TELEVISED INTERVIEW, WHICH WAS INTERPRETED AS AN ADMISSION OF FAILURE OF THE GOF MEASURES TO GRADUALLY BRING TO AN END THE PROLONGED PERIOD OF STAGNATION WHICH THE FRENCH ECONOMY HAS BEEN EXPERIENCING.

(C) THE SIX WEEKS DELAY WITH WHICH THE GOVERNMENT INTENDS TO ADOPT NEW MEASURES TO ACTIVATE THE ECONOMY WHICH HAS BEEN SEEN AS EVIDENCE THAT THE GISCARD REGIME DOES NOT APPRECIATE THE SERIOUSNESS OF THE SITUATION AND THE URGENCY WITH WHICH IT MUST ACT.

(D) THE LACK OF RESPONSE FROM THE PRIVATE SECTOR TO THE INVESTMENT INCENTIVES PROVIDED BY GOF LAST APRIL WHICH REVEALED A PESSIMISTIC STATE OF MIND ON THE PART OF THE BUSINESSMEN WITH REGARD TO THE SHORT-TERM PROSPECTS OF THE ECONOMY.

3. STAFF MEMBERS OF BOTH THE ELYSEE AND MATIGNON SEEM TO ATTACH GREATER IMPORTANCE TO FACTOR OF PARA (D) ABOVE THAN TO THE OTHER CONSIDERATIONS WHICH THEY TEND TO DISMISS AS POLITICALLY INSPIRED WITHIN THE OPPOSITION CIRCLES. THESE SOURCES CONSIDER THAT TO THE EXTENT THERE WAS AN ADMISSION OF FAILURE IN GISCARD'S INTERVIEW THIS WAS DUE TO THE UNEXPECTED LACK OF INTEREST BY THE BUSINESS WORLD IN THE GOF INVESTMENT INCENTIVES. HENCE THE NEED FOR THE ELABORATION OF NEW APPROACHES AND IDEAS TO REACTIVATE THE ECONOMY WITHOUT JEOPARDIZING THE ANTI-INFLATION LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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DRIVE.

4. UNEMPLOYMENT: AS THE UNEMPLOYMENT FIGURE CONTINUES TO GO UP THE PERENNIAL QUESTION WHETHER EACH NEW FIGURE CONSTITUTES THE THRESHOLD TO SOCIAL UNREST RAISES ITS MENACING HEAD. ALTHOUGH EXPERIENCE IN THE LAST YEAR OR SO HAS PROVEN THE ELASTICITY OF THE UNEMPLOYMENT RATE FROM THE POINT OF VIEW OF ITS POLITICAL AND SOCIAL IMPACT, IT MUST BE RECOGNIZED THAT PAST THE 1 MILLION MARK THE STRETCHING COMES CLOSER TO THE BREAKING. HOWEVER, THE IMPACT OF THE EXPANDED UNEMPLOYMENT BENEFITS WHICH COLLECTIVE

AGREEMENTS AND GOF DECREES HAVE PROVIDED FOR  
PARTIALLY AND TOTALLY UNEMPLOYED SHOULD NOT BE UNDER-  
ESTIMATED.

5. IN ADDITION RANK AND FILE REFUSAL TO ACCEPT

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LAYOFFS EVEN IF INSTITUTED THROUGH BANKRUPTCY PROCEED-  
INGS HAS COMPELLED LOCAL AUTHORITIES, NATIONAL  
EMPLOYER ASSOCIATIONS AND GOF TO TAKE EXCEPTIONAL  
MEASURES TO KEEP AILING COMPANIES GOING AND THUS PRO-  
TECT A SIGNIFICANT NUMBER OF JOBS, ESPECIALLY IN SMALL  
COMMUNITIES WHERE EVEN THE LAYOFF OF A FEW JOBS WOULD  
CAUSE A MAJOR DISRUPTION OF LOCAL LIFE. THE FACT THAT  
WORKERS' RESISTENCE IN SUCH INSTANCES HAS BEEN EX-  
PRESSED THROUGH PLANT OCCUPATIONS AND ATTEMPTS TO  
CONTINUE WITH THE BUSINESS UNDER SOME FORM OF WORKERS  
MANAGEMENT REPRESENTS A CONTINUATION OF THE TREND AND  
PRACTICE WHICH BEGAN THREE YEARS AGO WITH THE FAMOUS  
LIP AFFAIR.

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6. GOF CONSULTATIONS: GOF EFFORT IN JULY TO REVIEW THE ECONOMIC SITUATION INCLUDED A SERIES OF CONSULTATIONS BY THE PRIME MINISTER WITH LABOR UNIONS AND EMPLOYERS ASSOCIATIONS. PRIME MINISTER CHIRAC ALLOTTED ANYWHERE FROM AN HOUR-AND-A-HALF TO TWO HOURS FOR EACH CONSULTATION AND ENGAGED THE LABOR AND BUSINESS LEADERS IN A DIALOGUE ON WHATEVER SUBJECTS THEY CHOSE TO RAISE. BASED ON DISCUSSIONS WITH THE PM'S LABOR ADVISER WHO ATTENDED ALL THE MEETINGS, THE FOLLOWING SIGNIFICANT POINTS CAN BE MADE:

(A) FO WAS THE ONLY LABOR ORGANIZATION TO FOCUS EXCLUSIVELY ON THE ECONOMIC SITUATION AND TO SUGGEST SERIES OF ACTIONS WHICH IT FEELS ARE URGENTLY NEEDED TO PREVENT POLITICAL INSTABILITY AND SOCIAL UNREST. BERGERON WAS REPORTED TO HAVE BEEN TOUGH AND TO HAVE DONE HIS HOMEWORK WELL AS HE ARGUED WITH CHIRAC THE INADEQUACY OF THE MEASURES TAKEN BY GOF SO FAR.

(B) IN CONTRAST TO FO, THE COMMUNIST-LED CGT, REPRESENTED BY HENRI CRASUCKI, DID NOT ADDRESS ITSELF TO ECONOMICS AT ALL. INSTEAD CRASUCKI CHOSE TO DWELL AT LENGTH ON QUESTIONS OF TRADE UNION RIGHTS AND THEIR ALLEGED VIOLATIONS BY MANAGEMENT. CRASUCKI ATTEMPTED ALSO TO DRAW CHIRAC INTO ACCEPTING RESPONSIBILITY FOR THE SETTLEMENT OF A PERSISTENT NUMBER OF STRIKES THROUGHOUT THE COUNTRY.

(C) PM'S LABOR ADVISER EXPLAINED AS FOLLOWS CGT'S ATTITUDE: IT KNOWS WELL THAT ALL THAT CAN BE SAID ABOUT THE ECONOMIC SITUATION AND HOW TO IMPROVE IT HAS BEEN SAID AND WRITTEN MANY TIMES. SINCE IT DOES NOT HAVE ANYTHING NEW TO OFFER WITH WHICH TO CLAIM CREDIT IN THE EYES OF THE RANK AND FILE, THE CGT PREFERRED TO LEAVE THE RESPONSIBILITY IN THE HANDS OF GOF. FURTHERMORE, CGT IS BECOMING DEFENSIVE AND SENSITIVE ABOUT ITS APPARENT FAILURE TO SETTLE THE VARIOUS STRIKES, SOME OF WHICH HAVE BEEN EXTENDED FOR MANY WEEKS AND THEREFORE SAW IN THE MATIGNON MEETING AN OPPORTUNITY TO PRESS GOF TO TAKE MORE INTEREST IN THE STRIKES AS A CONDITION TO CGT COOPERATION IN THE ECONOMIC FIELD.  
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(D) THE PM REFUSED TO BE DRAWN INTO DISCUSSION ABOUT THE STRIKES AND RESPONDED TO ALLEGATIONS ABOUT VIOLATIONS OF TRADE UNION RIGHTS BY URGING CGT TO SEEK RECOURSE THROUGH THE COURTS. THE ATMOSPHERE OF MEETING WITH CGT WAS CORRECT AND TOOK AN ALMOST FRIENDLY TONE WHEN CHIRAC REMARKED THAT ALTHOUGH HE

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DISAPPROVES OF CGT'S THEORY AND POLITICAL MOTIVATION  
HE IS READY TO RECOGNIZE THAT THE CGT HAS BEEN A  
FACTOR OF PROGRESS IN FRANCE.

(E) THE PM WAS SURPRISED TO REALIZE THAT THE SMALL  
AND MEDIUM-SIZED ENTERPRISES WERE MORE OPTIMISTIC  
ABOUT THE FUTURE THAN THE NATIONAL EMPLOYERS  
ASSOCIATION REPRESENTED BY THE CNPF. THE PM BELIEVES  
THAT THIS IS DUE TO THE FACT THAT SMALL AND MEDIUM-  
SIZED COMPANIES HAVE BEEN MORE SUCCESSFUL IN ADJUSTING  
TO THE NEW CONDITIONS AND FEEL THAT THEY WILL BE ABLE  
TO BENEFIT QUICKER FROM THE ANTICIPATED ECONOMIC  
MEASURES GOF MUST TAKE THAN THE LARGER COMPANIES IN

THE COUNTRY.  
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7. COMMENT: ALTHOUGH STATEMENTS MADE BY BOTH  
LABOR AND MANAGEMENT LEADERS AFTER THEIR MEETINGS  
WITH CHIRAC RAISED THE USUAL DOUBTS ABOUT THE PURPOSE  
AND THE SCOPE OF THESE NEW CONSULTATIONS BY GOF, THE  
FACT REMAINS THAT CHIRAC IS PERSONALLY COMMITTED TO  
SUCH CONSULTATIONS AND ONCE AGAIN MADE A SERIOUS  
EFFORT TO ENGAGE IN AN EARNEST GIVE-AND-TAKE WITH  
HIS VISITORS. NEXT STEPS DEPEND UPON NEW GOF MEASURES  
SCHEDULED FOR ANNOUNCEMENT 4 SEPTEMBER.  
GAMMON

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MARSEILLE

MARTINIQUE  
NICE  
STRASBOURG

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